

AUDITORS' REPORT



Lam, Kwok, Kwan & Cheng C.P.A.

Limited

Certified Public Accountants

林郭關鄭會計師事務所有限公司

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TO THE SHAREHOLDERS OF DIGITAL WORLD HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 16 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:–

SCOPE LIMITATIONS

During the year, the Group made full allowance for certain long-term investments of HK\$15 million, which was included in the impairment loss on investment securities in the amount of HK\$25 million appearing in the consolidated income statement set out on page 16. We were unable to obtain sufficient information and explanations to satisfy ourselves regarding the appropriateness of this allowance.

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There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out above. Any adjustments to the above figures would affect the net assets of the Group and the Company as at 30th June 2003 and the loss and cash flows of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustment that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of allowance referred to in the basis of opinion section of this report, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

LAM, KWOK, KWAN & CHENG C.P.A. LIMITED

Certified Public Accountants

Lam Sing Hung

Practising certificate number – P00961

Hong Kong, 29th September 2003